

State of Utah
School & Institutional
Trust Lands Administration

Gary R. Herbert
Governor

Greg Bell
Lieutenant Governor

Kevin S. Carter
Director

675 East 500 South, Suite 500
Salt Lake City, UT 84102-2818
801-538-5100
801-355-0922 (Fax)
www.trustlands.com

MEMORANDUM

To: Tom Munson, DOGM

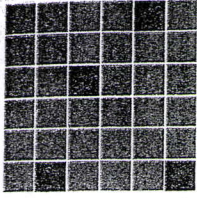
From: John Blake, SITLA

Subject: Mike Murphy ML 49721; Cloudy Moon Quarry S0370116; SAFECO Surety Bond # _____

Date: June 17, 2010

ML 49721 was cancelled by SITLA on 6/9/2007 for nonpayment. SAFECO Ins. Co. requested release of Surety Bond # _____ on 9/4/2007, but SITLA refused to release the bond pending the completion of reclamation. The bond is in effect until released by SITLA. I am enclosing 1) a copy of the surety bond; 2) a copy of the bond release request received from SAFECO; and, 3) a copy of my response letter of July 15, 2008 to the permittee. You will note that in my response letter I suggested the permittee submit a bond rider to reduce the original amount of the bond down to the amount needed for reseeding. I received no reply and have no subsequent correspondence in the file regarding this matter.

I consider the surety bond to still be in full force and effect. If DOGM has a claim against the surety bond then please provide the particulars to me in writing and I will discuss it with the SITLA Legal Group. Thank you.



State of Utah
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Jon M. Huntsman, Jr.
Governor

Kevin S. Carter
Director

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July 15, 2008

Mike Murphy
c/o 1024 East Kiva Dr.
Blanding, UT 84511

RE: SITLA Mineral Lease ML 49721-MP, San Juan County
DOGM Small Mine Permit #S0370116
Safeco Insurance Co. of America Surety Bond #

Gentlemen:

The Division of Oil, Gas & Mining recently determined, upon inspection, that regarding work performed at the Cloudy Moon Quarry upon trust lands under the above numbered mineral lease is satisfactory. But, revegetation success at the site is not yet established. The reclamation surety bond posted with the Trust Lands Administration therefore may not be released for a period of up to three more years pending the outcome of revegetation success.

The Principle amount of the current surety bond is \$10,000. The amount of bond needed to ensure revegetation of the quarry site is \$1,500. The Trust Lands will entertain a Bond Rider to reduce the Principle amount of the current surety bond to \$1,500. Such Bond Rider must be initiated by Safeco Insurance Company of America and submitted to the Director of the Trust Lands Administration for acceptance. Alternatively, Moon Mountain Stone Company may post a substitute reclamation bond in the amount of \$1,500 directly with the Division of Oil, Gas, & Mining, in such form as may be accepted by that agency, to secure a release of the current \$10,000 surety bond held by the Trust Lands Administration.

Please let me know how you desire to proceed, and contact me if you have any questions in this matter. Meanwhile, the Trust Lands Administration continues to hold Surety Bond #6082849 in full force and effect.

Sincerely,

John T. Blake
Trust Land Specialist

Cc: Paul Baker
Moon Mountain Stone
Safeco Insurance Co. of America



NOTICE OF BOND
CANCELLATION

SAFECO Insurance Company
PO Box 34526
Seattle, WA 98124-1526

CC: MOON MOUNTAIN STONE COMPANY
WELLS FARGO INS SERVICES 08-8181

(OBLIGEE'S NAME/ADDRESS)

TO: STATE OF UTAH SCHOOL & INST TRUST LANDS ADMIN
675 E 500 S STE 500
SALT LAKE CITY UT 84102

RECEIVED

SEP 10 2007

TRUST LANDS
ADMINISTRATION

You are hereby notified that SAFECO INSURANCE COMPANY OF AMERICA Surety upon

Type of Bond: PERMIT TO REMOVE SANDSTONE IN TOWNSHIP 38 S RANGE 24 E
SLB&M SECTION 16; SW4NW4PERMIT #ML 49721-MP MIKE MURPHY

Bond No.

date effective 09/27/2001
(MONTH, DAY, YEAR)

on behalf of (PRINCIPAL'S NAME/ADDRESS)

MOON MOUNTAIN STONE COMPANY
577 E 2850 N
N OGDEN UT 84414

desires to cancel and does hereby cancel said bond in accordance with the cancellation provisions contained therein or in applicable laws or regulations. This notice is

mailed to you on 9-4-07
(MONTH, DAY, YEAR)

and is effective 9-27-07

SAFECO INSURANCE COMPANY OF AMERICA

By: Dale Krashinsky
(ATTORNEY-IN-FACT)

Cancellation Acknowledged: (PLEASE SIGN, PRINT NAME, TITLE, AND RETURN THE DUPLICATE OF THIS NOTICE)

By: _____
(PRINT) (TITLE)

Dated: _____
(SIGN)
(MONTH, DAY, YEAR)



CANCEL REASON: NON RENEW PER AGENT

BOND NUMBER _____
Corporate Surety Bond

STATE OF UTAH
BOND OF LESSEE

KNOW ALL MEN BY THESE PRESENTS, that we Moon Mountain Stone Company
of Blanding, Utah as principal and
SAFECO Insurance Company of America as surety, are held and firmly bound
unto the State of Utah in the sum of Ten Thousand & No/100-- Dollars (\$10,000.00) lawful money of the United States
to be paid to the School & Institutional Trust Lands Administration, as agent for the State of Utah, for the use and benefit
of the State of Utah, and of any patentee or purchaser of any portion of the land covered by the hereinafter described lease
heretofore sold or which may hereafter be sold with a reservation to the State of Utah, on the surface or of other mineral
deposits of any portion of such lands, for which payment, well and truly to be made, we bind ourselves, and each of us, and
each of our heirs, executors, administrators, successors, sublessees, and assignees, jointly and severally by these presents.

Signed with our hands and seals this 27th day of September, 2001.

The condition of the foregoing obligation is such that,

WHEREAS, The State of Utah, as Lessor, issued a(n) Permit # ML48768-MP
lease, Lease Number _____ and dated 08/01/01, to Sean Murphy
as ~~lessee~~ (and said lease has been duly assigned under date of N/A
to permitee) to drill for, mine, extract, and remove all of the Sandstone
deposits in and under the following described lands, to wit:

Township 38 South, Range 24 East, SLB&M Section 16; SW4NW4

NOW, THEREFORE, the principal and surety shall be obligated to pay all monies, rentals, royalties, costs of
reclamation, damages to the surface and improvements thereon and any other damages, costs, expenses, penalties, interest
or liabilities which arise by operation of or in connection with the above described lease(s) accruing to the Lessor and shall
fully comply with all other terms and conditions of said lease, the rules, regulations, and policies relating thereto of the School
& Institutional Trust Lands Administration, the Board of Oil, Gas and Mining, and the Division of Oil, Gas and Mining as
they may now exist or may from time to time be modified or amended. This obligation is in effect even if the principal has
conveyed part of its interest to a successor in interest. If the principal fully satisfies the above described obligations, then
the surety's obligation to make payment to the State of Utah is void and of no effect, otherwise, it shall remain in full force
and effect until released by the School & Institutional Trust Lands Administration.

Signed, sealed and delivered
in the presence of

Bonnie N. Ladger
Witness

Francis M. Warrick (SEAL)
Principal

Conne Schrader
Witness

BONDING COMPANY: SAFECO Insurance Company of America
BY Michael H. Gale
Michael H. Gale, Attorney-in-Fact

Attest: Sergia Jones

APPROVED AS TO FORM
MARK L. SHURTLEFF
Attorney General

Resident Agent: Michael H. Gale

Bonding Co. Address: 2406 Washington Blvd.

Ogden, UT 84401